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United States
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Foreign
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Service

Washington, D.C. 20250

WEEKLY ROUNDUP OF WORLD PRODUCTION AND TRADE

WR 11-81

WASHINGTON, March 18--The Foreign Agricultural Service of the U.S. Department of Agriculture today reported the following recent developments in world agriculture and trade:

GRAIN AND FEED

MEXICO's purchases of U.S. corn and sorghum on March 5-6 brought that country's purchases of U.S. grain to 3.6 million tons for delivery during the first half of the calendar 1981 agreement period. U.S. grain exports to Mexico during the same period last year reached 3.8 million tons.

Although substantial improvements in domestic corn and sorghum production were achieved during 1980/81, Mexico's large import program continues. Domestic grain availabilities have improved somewhat as a result of the good crops and record import levels during the past year. However, rapidly increasing demand for both food and feed grains is likely to require continued large import levels. The United States is expected to remain Mexico's largest grain supplier, but increased competition is likely.

Mexico recently finalized agreements and/or purchases of grain with both Canada and Argentina. The agreements covering these purchases also allow for additional sales. Canada's sale of 100,000 tons of winter wheat annually during 1981 and 1982 is somewhat above recent wheat trade levels with Mexico. However, the recent agreement provides for up to 300,000 tons of spring wheat over the two-year period and up to 100,000 tons of corn annually.

Argentina recently finalized contracts with Mexico to supply 120,000 tons of sorghum. The agreement covers up to 1 million tons of sorghum and 400,000 tons of soybeans during 1981. Argentina recently reduced sorghum prices making cost and freight west coast Mexico quotations more competitive with recent U.S. offers to Mexico. Additional Argentine sorghum sales to Mexico are more likely than anticipated before the price reduction.

In ARGENTINA, continued ideal weather has further improved the corn and sorghum crops this year and corn production is now expected to reach 12.3 million tons, 20 percent above the high of the past decade. Sorghum production also has improved and the crop of 7 million tons now expected is just short of the all-time high of 1978. With these abundant outturns, exports are expected to reach record proportions. Corn exports are estimated at 8.9 million tons, versus 3.5 million last year and sorghum exports are forecast at 4.5 million tons, compared with 1.5 million last season.

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With this year's large exportable coarse grain surplus and more reasonable prices, Argentina may resume sales to its traditional markets. (See MEXICO on page 1.) Last year, a reduced crop as well as increased demand from the Soviet Union, which was willing to pay substantial premiums, resulted in Argentine coarse grains being shipped mainly to the Soviet Union at the expense of more customary markets.

In SPAIN, rainfall in early March slightly alleviated pressures imposed by a severe drought which has been plaguing the Iberian Peninsula for months. Despite this precipitation, Spain still needs several weeks of generous rainfall to support this year's grain crop.

Regardless of the extent of future rainfall, poor germination and inadequate subsoil moisture--now allegedly at a 10-year low--have stunted growth and will result in yields well below normal. Farmers reportedly are plowing under spotty grain stands and reseeding in an attempt to benefit from precipitation that may fall in the next several weeks. Where this second sowing is not occurring, a significant amount of land currently sown to grain is expected to be abandoned or planted to spring/summer crops such as sunflowers.

Spain's total grain production in 1981 currently is placed at about 30 percent below the record 1980 harvest of 18.2 million tons and about 5 percent below the fairly average 1979 crop of 13.7 million tons. U.S. exports of wheat and coarse grains, which normally fulfill most of Spain's import requirements, are expected to increase in the 1981/82 season from this year's estimated 4.7 million tons.

WEST GERMANY's grain area planted for harvest in 1981 is expected to fall slightly below the preceding year's level of 5.2 million hectares. Despite this estimated decrease, production is likely to exceed the 1980 outturn, if growing conditions remain normal. This expected larger output stems from the continued trend toward increased seeding of high-yielding winter grains, especially barley. Winter barley area is forecast to rise some 10 percent over last year's 1.2 million hectares, while area sown to rye and spring barley is expected to drop.

ZIMBABWE is expected to harvest a record corn crop of 2.5 million tons this year as a result of favorable weather and increased corn support prices. Thus, exports currently are estimated at 700,000 tons, compared with 126,000 tons in the preceding year. However, inadequate storage facilities and a shortage of railway rolling stock could prevent the government from reaching this export level.

Likely purchasers of Zimbabwe's surplus corn include Zambia, Mozambique, Zaire, Malawi and Botswana. However, the government also wants to export some of the crop overseas.

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OILSEEDS AND PRODUCTS

The SOVIET UNION's vegetable oil output during September-December 1980 amounted to only 960,000 tons--down 117,000 tons or 11 percent from the same four months a year ago. The current season's decline represents a shortfall of 166,000 tons or 15 percent below the 1972/73 - 1979/80 linear trend. The sharp reduction in Soviet vegetable oil production during the first four months of 1980/81 indicates production may be about 2.31 million tons for the year ending August 1981.

When adjusting Soviet vegetable oil output to a per capita basis, a significant decline in 1979/80 and 1980/81 is indicated. Despite this decline, Soviet consumption of all oils and fats on a per capita basis is still on an uptrend. This reflects both a reduction in exports and a sharp expansion in imports. Soviet imports in 1980 of oils and fats, including the oil equivalent of oilseeds, were in the magnitude of 1 million tons, compared with only 560,000 tons in 1977.

The indicated shortfall from last year in 1980/81 Soviet oils and fats production exceeds 300,000 tons and will possibly be met with sharply expanded Soviet imports in 1981. Soviet vegetable oil production from state-owned mills are as follows in 1,000 tons:

	1976/77	1977/78	1978/79	1979/80	1980/81
Sept.	144	178	119	126	160
Oct.	300	326	296	297	200
Nov.	316	334	343	325	300
Dec.	334	353	356	329	300
Sept-Dec.	1,094	1,191	1,114	1,077	960
Jan-Aug.	<u>1,566</u>	<u>1,651</u>	<u>1,546</u>	<u>1,539</u>	<u>1/ 1,350</u>
Sept.-Aug.	2,660	2,842	2,660	2,616	<u>1/ 2,310</u>
Population (In millions)	259.0	261.3	263.6	265.9	268.2
Production (in Kilogram per person)	10.3	10.9	10.1	9.8	8.6

1/ Projected on the basis of Sept.-Dec. production to 41.5 percent of Sept.-Aug. production as averaged during the 1966/67 - 1979/80 period.

MALAYSIA has announced a reduction in the soybean meal import duty. In a speech to Livestock, Feedmill and Import/Export Associations, Deputy Finance Minister Kam Mak Hon stated that the import duty on soybean meal would be lowered from 15 percent to 8 percent, effective March 5. Hon also stated that a 5-percent surtax imposed on imports of eleven other feed ingredients, including meat and bone meal, whey powder and peanuts, rapeseed and sesame cakes will be waived. The 5-percent surtax on soybean meal, however, will remain.

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In mid-1980, the government imposed the tariffs in order to protect two new local soybean crushing plants. Protests from farmers, feed millers and importers that neither factory was then in full operation prompted the temporary removal of both soybean meal tariffs on Aug. 1 for a three-month period. The crushing plants now are reported to be working at full capacity and are expected to produce 130,000 to 150,000 tons of soybean meal in 1981. About 70 percent of the soybeans crushed are expected to be of U.S. origin.

DAIRY, LIVESTOCK AND POULTRY

In NEW ZEALAND, both the government and the Meat Producers Board recently have been forced to supplement producer prices by 11 cents per pound due to weakness in the international marketplace for beef. To meet the guaranteed underwritten levels of 43 and 44 cents per pound, respectively, the government's supplementary minimum price scheme currently is making payments of 1 cent per pound, while the Producer Board is paying 10 cents per pound under the Board's Meat Income Stabilization Arrangement. Both boards set their minimum prices based on anticipated market returns at the beginning of the marketing year. Payments by the government are made from the general revenue account. Payouts from the Producer Board are made from accumulated surplus producer returns, which had a balance of nearly \$21 million as of Sept. 30, 1980. Under an arrangement with the government, if the Board's account becomes exhausted, liberal borrowing terms are obtainable from the New Zealand Federal Reserve Bank at very favorable interest rates.

AUSTRIA has reported an outbreak of Type "O" foot and mouth disease in one community. This strain of the virus attacks swine more readily than other livestock. A total of 18,000 animals, including 1,700 hogs, has been culled in the affected area and the carcasses destroyed. All susceptible animals within a radius of 30 kilometers are being vaccinated and the stricken community has been declared off limits to traffic. The livestock exhibit at the Vienna International Spring Fair and all livestock auctions in lower Austria have been canceled. Officials say that within a week or so it should become apparent whether these control measures have been effective.

FRANCE also has reported an outbreak of foot and mouth disease in northern Britanny. The infested area, a region of intensive pig production, has been isolated since March 8. Herds on four farms, totaling 4,000 hogs and 140 cows, are being destroyed. Vaccinations will be performed on 500,000 animals located in an area within a 12-kilometer radius of the outbreak.

U.S. imports of beef, veal, mutton and goat meat as of March 6, were 15 percent behind imports under the Meat Import Law at this time a year earlier. The reduced shipments can largely be attributed to weak U.S. prices which are discouraging the movement of meat to the U.S. market. Imports from Australia, which has traditionally supplied over half of U.S. imports, are down 11 percent from the similar period last year. Trade sources now are indicating that Australian shipments expected to arrive in the United States in March will decline to less than half the normal monthly level.

COTTON

JAPAN's cotton mills, under the auspices of the Japanese Spinners Association (JSA), are requesting permission from the government to impose further production cutbacks in the face of a continued business slump. Moreover, JSA is requesting that these cutbacks be mandatory. Reportedly, a 20 to 30 percent cutback is being considered for at least three months beginning in April.

Last summer JSA instituted a 10-percent voluntary production restraint. Since no improvement is in sight, the industry is preparing to ask the government for more drastic measures.

The last mandatory action of this kind was taken in April 1977 and lasted through June 1978. During this time the government authorized JSA to idle 30 percent of its spindles and inventories of cotton goods declined 22 percent.

TOBACCO

The UNITED KINGDOM's 1981-82 budget, announced on March 10, imposes massive increases in tobacco excise taxes--a move that is expected to generate an additional 500 million pounds sterling (US \$1.1 billion) in revenue during 1981-82. The change became effective March 13 and results in 18-percent higher cigarette prices. A pack of 20 king-sized cigarettes will now cost more than US \$2.10. Similar increases were imposed on other tobacco products.

During 1980, U.S. leaf tobacco exports to the United Kingdom totaled 14,728 tons valued at \$78.2 million, down 52 and 44 percent, respectively, compared with exports in 1979. The high U.K. domestic taxes are expected to result in further decreases in U.S. leaf exports to this market in the years ahead, as cigarette consumption drops and U.K. manufacturers seek lower cost leaf from other suppliers.

HORTICULTURAL AND TROPICAL PRODUCTS

ISRAEL's Citrus Marketing Board has revised its estimates for 1980/81 season fresh citrus exports. These are now expected to total 846,000 tons, down 3.8 percent from previous expectations, and 3 percent below last season's shipments. Total 1980/81 orange exports are now forecast at 549,000 tons, down from an initial estimate of 601,000 tons, and 5 percent below 1979/80 exports. Valencia orange exports are expected to total only 156,000 tons, 29,000 less than the pre-season forecast. Grapefruit exports, however, are forecast to reach 252,000 tons, 5 percent more than previously anticipated, and about the same as last season's exports. Lemon and tangerine exports are expected to reach 25,000 and 20,000 tons, respectively, moderately higher than originally forecast.

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In FRANCE, hops production was 1,363 tons in 1980, down 13 percent from the preceding year. Area and yield decreased by 3 percent and 10 percent, respectively. The area decline was a result of an uprooting program encouraged by the European Community (EC). Cold weather accompanied by hail storms during June and July accounted for the lower yields. Hop area is expected to be about the same in 1981.

Both imports and exports of fresh hops increased in the 1979/80 marketing year; however, extract imports decreased during the same period. No hop extract was exported in either year. Demand for aromatic hop varieties is expected to remain strong and the potential exists for increased imports of U.S. hops.

In AUSTRALIA, it now appears that the rain-induced losses to the 1981 Sultana raisin crop were heavier than first expected. The Australian Dried Fruits Association now estimates production at only 45,000 to 50,000 tons, rather than the 55,000 to 60,000 tons previously reported. The 1980 crop totaled 90,300 tons.

Of the Sultanas harvested to date, it appears that the quality of the crop has been adversely affected. The crop is a mixture of light and dark fruit with about 40 percent falling in the lesser 2-crown to 4-crown grades.

In CANADA, Agriculture Minister Whelan authorized the Agriculture Products Board on Feb. 6 to purchase up to 35,000 tons of surplus cold storage McIntosh apples in British Columbia, Ontario and Quebec for processing. This decision was made in an effort to clear markets of unused supplies before marketing of controlled-atmosphere apples began. The diversion program is projected to cost US \$4.1 million for the purchase, processing and storage of apple juice concentrate and other apple products. Since these products will be sold when markets improve, the net cost of the assistance program is expected to be approximately US \$1.5 million.

ARGENTINA imposed a 20-percent import duty in January on most Brazilian products, alleging increased dumping practices, aggressive export policies and increased import restrictions against Argentine products, particularly apples.

In a pact concluded March 4, Argentina agreed to eliminate the 20-percent duty. Similarly, Brazil agreed to reduce the import financing tax from 25 to 20 percent, shorten import approval procedures to a maximum of seven days, and increase the monthly import quota on apples to 650,000 cases during March and April, with complete termination of the quota as of May 1981.

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JAPAN announced on March 4 that the quota for imports of canned pineapple during the second half of Japan Fiscal Year (JFY) 1980 (October 1980 - March 1981) would be 200,000 cases of 36 No. 2's. This brings the total quota for the fiscal year beginning April 1980 to 900,000 cases, compared with the 1,15 cases allocated during JFY 1979. The quota reduction is a reflection of sluggish consumer demand and large inventories currently on hand at Okinawa warehouses.

NEW RELEASES OF FOREIGN AGRICULTURE CIRCULARS

Foreign Oilseed and Grain Production Estimate Slightly Higher; Cotton Unchanged, WCP 3-81

USSR Grain Situation and Outlook, FG 7-81

World Livestock Numbers, Slaughter, Red Meat Production, Consumption and Trade 1977-81 FLM 2-81

U.S. Trade in Livestock and Products Declined in 1980, FLM MT 4-81

World Cocoa Bean Production To Exceed Record 1979/80 Harvest, FCB 1-81

U.S. Seed Exports, Quantity, Value, and Destination, July-January and January 1979/80 and 1980/81 Marketing Years, FFVS 3-81

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INTERNATIONAL WEATHER AND CROP SUMMARY, March 9 - 15

EUROPE--Both temperatures and precipitation increased markedly in many countries during the week. However, some dry areas in Spain, southern Portugal and northern Italy received little or no precipitation. Most of these problem areas had less than normal precipitation in February, and winter grain prospects remain grim. In other countries, a variable precipitation pattern in February kept soils adequately moist for the most part, and the recent, much-above-normal precipitation brought moisture up to par in all of these areas. February temperatures tended above normal in the northeast and below normal in the southwest, with no extreme cold that might cause winter-kill. Temperatures now have risen high enough to permit winter grain growth over all but the northeastern portion of the region. Substantially above-normal temperatures in Spain and southern Portugal further aggravated the dry crop conditions.

WESTERN USSR--Near-normal temperatures were still warm enough to cause some snowmelt in winter grain fields, with the greatest melting occurring in the west. As in February, conditions in all areas remained too cold for winter grain growth. A cold air outbreak late in the week did not appear to have caused any winterkill, with the remaining snowcover barely adequate to protect the crop. Precipitation stayed below normal over much of the winter grain belt, but parts of Belorussia, the western Ukraine and the North Caucasus received above-normal totals for the week. February was the fourth consecutive month where a substantial portion of the winter grain belt received more than twice normal precipitation. While the seasonably mild wet weather has resulted in relatively little winterkill due to extreme cold, conditions have been conducive to frost heaving and formation of ice in fields, which could smother dormant crops. On the other hand, the abundance of moisture may provide very favorable growing conditions, if temperatures increase in a normal pattern this spring.

EASTERN ASIA--Above-normal temperatures on the North China Plain permitted winter grain growth over nearly all of the belt. However, very little precipitation fell north of the Yangtze River, and only in Henan, Anhui and Jiangsu did winter grains have really good moisture for growth. Conditions in Shandong and southern Hebei appear to be marginally adequate, but the Beijing area has experienced serious precipitation shortfalls since last summer, and irrigation supplies are reportedly very short. Winter grain yields in this minor production area will probably suffer some losses. February temperatures on the average stayed near normal, but a brief cold snap late in the month may have caused some winterkill. The above-normal precipitation of recent weeks in the south appears to be increasing, although conditions should not yet be unfavorably wet. In South Korea, temperatures warmed enough to permit some winter grain growth, and light precipitation kept fields adequately moist. Conditions during February had been relatively normal.

SOUTH ASIA--The first rains of the season covered the southeastern Indian coastal states. Rainfall continued in Bangladesh and eastern India, maintaining a relatively wet pattern which began in February. In the northern winter grain areas of Punjab and Haryana, light, above-normal rainfall continued. With the crop in that area now in the late stages of grain filling, rainfall is probably not needed. Conditions should not be too wet for the ripening grain. Temperatures dipped below normal following February's slightly above normal readings.

NORTHWESTERN AFRICA--Light precipitation in northern Tunisian and eastern Algerian winter grain areas maintained good growing conditions, but Moroccan and western Algerian areas remained dry. Above-normal February precipitation in western Algeria had kept crops adequately moist, but three consecutive dry weeks have put light stress on crops now in the heading stage. Temperatures were running somewhat above normal. Little hope remains for winter grains in southern Morocco, and yield prospects in the north continue to decline, as temperatures ranged much above normal. Light precipitation in February was below normal, and only temporarily slowed the decline.

SOUTH AFRICA--Scattered showers produced 10 to 30 mm of weekly rainfall in northeastern portions of the Maize Triangle. Heaviest shower activity was confined primarily to the Transvaal region. Satellite photos indicate long periods of sunshine were prevalent during the week which would be beneficial for kernel development and maturing grain. Mean temperatures for the week averaged 18 to 23 degrees Celsius. Soil moisture supplies should be adequate for crops in late growth stages since timely February rainfall was above-normal throughout the major corn-producing region. February temperatures averaged slightly below normal. Except for early season dryness which delayed planting in some areas, favorable weather thus far in the growing season would definitely indicate a successful crop year for South African corn.

SOUTH AMERICA--Weekly rainfall was light (generally less than 10 mm) throughout most of Brazil's soybean/corn areas, except for locally heavy showers of 25 to 50 mm of rain in extreme eastern Minas Gerais. The dry weather provided favorable conditions for harvesting of early maturing crops

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in the north. Some concern has been expressed about the dry conditions in Goias, Minas Gerais and Sao Paulo, especially since February rainfall was well-below normal. Although some yield reduction due to dryness can be expected in these areas, the overall national yield potential remains good in the major producing states of Parana, Santa Catarina and Rio Grande do Sul, which have had relatively favorable weather for crop growth. In Argentina, weekly rainfall totals were 25 to 50 mm in most crop areas of Santa Fe, southern Entre Rios and northern Buenos Aires. Growing conditions remain favorable in Argentina with the harvest season underway in northern portions.

MEXICO--Sunny, warm weather prevailed over most west coast farming districts in February, while heavy showers blanketed the upper watersheds. Vegetables, winter wheat and pastures should have progressed well, along with an increase of water in northern storage reservoirs. Warm, dry conditions during the week were conducive for crop development and vegetable harvest. In upper parts of the northeast, heavy rains during the week maintained plentiful soil moisture for young corn and grain sorghum; a few fields may be too wet. However, a dry pattern since February has dominated northeastern citrus orchards, and soil moisture may be slightly short around Valles. Citrus began blooming in southernmost orchards in February, advancing to northern groves in early March. Light rains falling over the Southern Plateau in February increased soil moisture needed for early corn planting.

Rotterdam Prices and E.C. Import Levies:

Asking prices in U.S. dollars for imported grain and soybeans, c.i.f., Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	:	:	:	:
	: March 17, 1981	: Change from	:	A year
	:	: previous week	:	ago
	:	:	:	
	\$ per m. ton	\$ per bu.	¢ per bu.	\$ per m. ton
Wheat				
Canadian No. 1 CWRS-12.5%.....	1/	1/	1/	1/
U.S. No. 2 DNS/NS: 14%.....	209.50	5.70	- 4	194.00
U.S. No. 2 DHW/HW: 13.5%.....	210.00	5.72	-13	1/
U.S. No. 2 S.R.W.....	205.00	5.58	N.C.-0-	192.50
U.S. No. 3 H.A.D.....	246.00	6.70	- 8	238.00
Canadian No. 1 A: Durum.....	1/	1/	1/	277.00
Feed grains:				
U.S. No. 3 Yellow Corn.....	162.75	4.13	- 7	133.00
U.S. No. 2 Sorghum 2/.....	169.00	4.29	-13	147.50
Feed Barley 3/.....	179.75	3.91	- 9	158.00
Soybeans:				
U.S. No. 2 Yellow.....	303.25	8.25	- 2	261.50
Argentine 4/.....	302.00	8.22	- 1	1/
U.S. 44% Soybean Meal (M.T.)..	268.00	--	+ 1.50	5/ 225.00
EC Import Levies				
Wheat 6/.....	80.58	2.19	+17	109.90
Barley.....	44.90	.98	+ 7	100.30
Corn.....	74.90	1.90	+ 5	129.70
Sorghum.....	63.10	1.60	+ 9	113.85

1/ Not available.

2/ Optional delivery: U.S. or Argentine Granifero Sorghum.

3/ Optional delivery: U.S. or Canadian Feed Barley

4/ Optional delivery: Brazil yellow.

5/ Dollars per metric ton.

6/ Durum has a special levy.

Note: Basis April delivery.

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